

WOODBURY COUNTY AREA SOLID WASTE AGENCY

INDEPENDENT AUDITOR'S REPORTS

FINANCIAL STATEMENT

OTHER INFORMATION

SCHEDULE OF FINDINGS

JUNE 30, 2012

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WOODBURY COUNTY AREA SOLID WASTE AGENCY

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Gary Merkel	Chairperson	City of Cushing
Max Dunnington	Vice-Chairperson	City of Pierson
Jerry Hyler	Member	City of Correctionville
Dale Petersen	Member	City of Sergeant Bluff
Dave Amick	Member	City of Bronson
Sonya Sherrill	Member	City of Danbury
Jeff Nitzschke	Member	City of Lawton
Jim Fischer	Member	City of Moville
Dave Dorale	Member	City of Oto
Tim Skidmore	Member	City of Salix
Darrell Iverson	Member	City of Sloan
Jim Kelsheimer	Member	City of Anthon
Jackie Smith	Member	Woodbury County
Mark Monson	Member	Woodbury County
Dennis Butler	Member	Woodbury County

HUNZELMAN, PUTZIER & Co., PLC

CERTIFIED PUBLIC ACCOUNTANTS

JEFFORY B. STARK, C.P.A.
JASON K. RAVELING
TAMMY M. CARLSON, C.P.A.
RICHARD R. MOORE, C.P.A. (RETIRED)
WESLEY E. STILLE, C.P.A. (RETIRED)
KENNETH A. PUTZIER, C.P.A. (RETIRED)
W. J. HUNZELMAN, C.P.A. 1921-1997

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Independent Auditor's Report

To the Members of Woodbury
County Area Solid Waste Agency

We have audited the accompanying financial statement of Woodbury County Area Solid Waste Agency as of and for the year ended June 30, 2012. This financial statement is the responsibility of the Agency's management. Our responsibility is to express an opinion on the financial statement based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

As described in Note 1, this financial statement is prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash basis financial position of Woodbury County Area Solid Waste Agency as of June 30, 2012 and the changes in its cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 12, 2013 on our consideration of Woodbury County Area Solid Waste Agency's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the Woodbury County Area Solid Waste Agency's basic financial statement. Management's Discussion and Analysis on pages 5 through 7 is not a required part of the financial statement. The information has not been subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we do not express an opinion or provide any assurance on it.

Hunzelman, Putzier & Co., PLC

July 12, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

Woodbury County Area Solid Waste Agency provides this Management's Discussion and Analysis of its financial statement. This narrative overview and analysis of the financial activities of Woodbury County Area Solid Waste Agency is for the year ended June 30, 2012. We encourage readers to consider this information in conjunction with the Agency's financial statement, which follows.

2012 FINANCIAL HIGHLIGHTS

Operating receipts decreased 75.97%, or approximately \$581,000, from fiscal 2011 to fiscal 2012.

Operating disbursements decreased approximately \$556,000, or 76.41%, from fiscal 2011 to fiscal 2012.

Cash basis net assets increased 35.59%, or approximately \$173,000, from June 30, 2011, to June 30, 2012.

USING THIS ANNUAL REPORT

The Agency has elected to present its financial statement on the cash basis of accounting. The cash basis of accounting is a basis of accounting other than U.S. generally accepted accounting principles. Basis of accounting refers to when financial events are recorded, such as the timing for recognizing revenues, expenses, and the related assets and liabilities. Under the cash basis of accounting, revenues and expenses and the related assets and liabilities are recorded when they result from cash transactions.

As a result of the use of the cash basis of accounting, certain assets and their related revenues, and liabilities and their related expenses, are not recorded in this financial statement. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

The annual report is presented in a format consistent with the presentation of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the cash basis of accounting.

This discussion and analysis are intended to serve as an introduction to the financial statement. The annual report consists of the financial statement and other information, as follows:

Management's Discussion and Analysis introduces the financial statement and provides an analytical overview of the Agency's financial activities.

The Statement of Cash Receipts, Disbursements, and Changes in Cash Basis Net Assets presents information on the Agency's operating receipts and disbursements, non-operating receipts and disbursements, and whether the Agency's cash basis financial position has improved or deteriorated as a result of the year's activities.

The Notes to Financial Statement provide additional information essential to a full understanding of the data provided in the financial statement.

FINANCIAL ANALYSIS OF THE AGENCY

Statement of Cash Receipts, Disbursements, and Changes in Cash Basis Net Assets

The purpose of the statement is to present the receipts received by the Agency and the disbursements paid by the Agency, both operating and non-operating. The statement also presents a fiscal snapshot of the cash balance at year end. Over time, readers of the financial statement are able to determine the Agency's cash basis financial position by analyzing the increase and decrease in cash basis net assets.

Operating receipts are received for gate fees from accepting solid waste and assessments from the members of the Agency. Operating disbursements are disbursements paid to operate the landfill. Non-operating receipts and disbursements are for interest on investments, equipment purchases, and debt service payments. A summary of cash receipts, disbursements, and changes in cash basis net assets for the years ended June 30, 2012 and June 30, 2011 is presented below:

	<u>Changes in Cash Basis Net Assets</u>	
	<u>Year Ended June 30,</u> <u>2012</u>	<u>2011</u>
Operating receipts:		
City and County assessments	\$ 31,812	\$ 388,619
User fees and gate receipts	80,205	305,059
Recyclable receipts	27,082	55,846
Salvage receipts	-	11,486
Rent	32,162	554
Insurance refunds	11,634	-
Miscellaneous	792	2,922
Total operating receipts	<u>183,687</u>	<u>764,486</u>
Operating disbursements:		
Salaries and benefits	71,123	307,647
Garbage hauling	63,247	255,920
Professional Fees	17,317	4,681
Fuel, oil, and lubricants	4,089	27,385
Operating supplies and repairs	2,501	27,353
Engineering and testing services	6,180	25,374
Insurance	2,094	41,828
Other	5,237	38,019
Total operating disbursements	<u>171,788</u>	<u>728,207</u>
Excess of operating receipts over operating disbursements	<u>11,899</u>	<u>36,279</u>
Nonoperating receipts (disbursements):		
Interest on investments	5,961	9,779
Grant proceeds	10,676	24,498
Sale of fixed assets	161,282	-
Capital improvements/equipment purchases	(10,612)	(33,676)
Debt service	(6,547)	(43,618)
Net non-operating receipts (disbursements)	<u>160,760</u>	<u>(43,017)</u>
Net change in cash basis net assets	172,659	(6,738)
Cash basis net assets, beginning of year	<u>485,191</u>	<u>491,929</u>
Cash basis net assets, end of year	<u>\$ 657,850</u>	<u>\$ 485,191</u>

FINANCIAL ANALYSIS OF THE AGENCY - (Continued)

Cash Basis Net Assets		
Restricted for:		
Postclosure	\$ 407,156	\$ 420,390
Transfer station closure	11,520	22,209
Total restricted net assets	418,676	442,599
Unrestricted	239,174	42,592
Total cash basis net assets	\$ 657,850	\$ 485,191

In fiscal 2012 operating receipts decreased by \$580,799, or 75.97%, and operating disbursements decreased by \$556,419, or 76.41%, from fiscal 2011. These sharp decreases in operating receipts and disbursements were due to a change in operations. On August 1, 2011 the Agency entered into a contract with L.P. Gill Inc. which provided for the assumption of all solid waste and recycling activities by L.P. Gill.

A portion of the Agency's net assets, \$418,676 (64%), is restricted for closure and postclosure care. State and federal laws and regulations require the Agency to place a final cover on the landfill site and perform certain maintenance and monitoring functions at the landfill site for a minimum of thirty years after closure. The remaining net assets, \$239,174 (36%), are unrestricted net assets that can be used to meet the Agency's obligations as they come due. Restricted net assets decreased \$23,923, or 5.41%, during the year due to the updated costs to close and monitor the landfill. Unrestricted net assets increased \$196,582 from 2011.

LONG-TERM DEBT

At June 30, 2012 the Agency had no long term debt outstanding.

ECONOMIC FACTORS

The financial position of the Agency improved considerably in the current fiscal year primarily due to the sale of equipment. The current condition of the economy in the state continues to be a concern for Agency officials. Some of the realities which may potentially become challenges for the Agency to meet are:

Annual deposits required to be made to closure and postclosure accounts are based on constantly changing cost estimates.

The Agency anticipates the current fiscal year will be one of transition as it makes important decisions regarding the future of solid waste in this planning area.

CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

This financial report is designed to provide the Agency's citizens, taxpayers, customers, and creditors with a general overview of the Agency's finances and to show its accountability for the money it receives. If there are questions about this report or a need for additional financial information, contact Woodbury County Area Solid Waste Agency, 200 Ida Avenue, Merville, Iowa.

WOODBURY COUNTY AREA SOLID WASTE AGENCY
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BASIS NET ASSETS
YEAR ENDED JUNE 30, 2012

Exhibit A

Operating receipts:	
City and County assessments	\$ 31,812
User fees and gate receipts	80,205
Recyclable receipts	27,082
Rent	32,162
Insurance refunds	11,634
Miscellaneous	792
Total operating receipts	<u>183,687</u>
Operating disbursements:	
Salaries and benefits	71,123
Fuel, oil, and lubricants	4,089
Operating supplies and repairs	2,501
Office supplies	1,066
Telephone	273
Utilities	1,045
Travel and continuing education	250
Insurance	2,094
Engineering and testing services	6,180
Accounting and legal	17,317
Garbage hauling	63,247
Tire disposal	1,372
Recycle processing and disposal	1,192
Miscellaneous	39
Total operating disbursements	<u>171,788</u>
Excess of operating receipts over operating disbursements	<u>11,899</u>
Nonoperating receipts (disbursements):	
Interest on investments	5,961
Grant proceeds	10,676
Sale of fixed assets	161,282
Capital improvements/equipment purchases	(10,612)
Debt service	(6,547)
Net nonoperating receipts (disbursements)	<u>160,760</u>
Net change in cash basis net assets	172,659
Cash basis net assets, beginning of year	<u>485,191</u>
Cash basis net assets, end of year	<u>\$ 657,850</u>
Cash Basis Net Assets	
Restricted for:	
Closure and Postclosure	\$ 418,676
Unrestricted	239,174
Total cash basis net assets	<u>\$ 657,850</u>

See notes to financial statement.

WOODBURY COUNTY AREA SOLID WASTE AGENCY
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2012

1. Summary of Significant Accounting Policies

Woodbury County Area Solid Waste Agency was formed pursuant to the provisions of Chapter 28E of the Code of Iowa. The purpose of the Agency is to develop, operate, and maintain solid waste facilities in Woodbury County on behalf of the units of government which are members of the Agency.

The governing body of the Agency is composed of one representative from each of the twelve member cities and two representatives from Woodbury County. The representatives are appointed by the participating political subdivisions and each has one vote.

A. Reporting Entity

For financial reporting purposes, Woodbury County Area Solid Waste Agency has included all funds, organizations, agencies, boards, commissions, and authorities. The Agency has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Agency are such that exclusion would cause the Agency's financial statement to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the Agency to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the Agency. The Agency has no component units which meet the Governmental Accounting Standards Board criteria.

B. Basis of Presentation

The accounts of the Agency are organized as an Enterprise Fund. Enterprise Funds are utilized to finance and account for the acquisition, operation, and maintenance of governmental facilities and services supported by user charges.

Enterprise Funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with an Enterprise Fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

C. Basis of Accounting

Woodbury County Area Solid Waste Agency maintains its financial records on the basis of cash receipts and disbursements and the financial statement of the Agency is prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable, and accrued items, including the estimated payables for closure and postclosure care. Accordingly, the financial statement does not present the financial position and results of operations of the Agency in accordance with U.S. generally accepted accounting principles.

D. Net Assets

Funds set aside for payment of transfer station closure and landfill postclosure care are classified as restricted.

WOODBURY COUNTY AREA SOLID WASTE AGENCY
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2012

2. Cash

The Agency's deposits in banks at June 30, 2012 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The Agency is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Agency; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Interest rate risk - The Agency's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the Agency.

3. Loans

The Agency obtained an interest-free loan from the Iowa Department of Natural Resources for an expansion of the Agency's recycling program. The amount borrowed under this loan was \$81,361, with \$20,000 considered forgivable and not required to be repaid. Payments of \$2,822 were due quarterly with the final payment made July 15, 2011.

The Agency entered into a long-term loan with American National Bank on August 25, 2006, to finance the construction of a transfer station at an interest rate of 8%. Advances totaling \$149,500 were made under this loan agreement. Payments of \$5,000 plus interest were due quarterly with a final payment of \$6,253 made on July 15, 2011.

Following is a summary of changes in the loans for the year ended June 30, 2012:

	Balance June 30, 2011	Issued	Paid	Balance June 30, 2012
Iowa Dept of Natural Resources	\$ 180	\$ -	\$ 180	\$ -
United Bank of Iowa	6,253	-	6,253	-
	<u>\$ 6,433</u>	<u>\$ -</u>	<u>\$ 6,433</u>	<u>\$ -</u>

4. Pension and Retirement Benefits

The Agency contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, IA, 50306-9117.

Plan members are required to contribute 5.38% of their annual salary and the Agency is required to contribute 8.07% of annual covered salary. Contribution requirements are established by state statute. The Agency's contribution to IPERS for the years ended June 30, 2012, 2011, and 2010, were \$4,800, \$15,556, and \$15,145, respectively, equal to the required contributions for each year.

WOODBURY COUNTY AREA SOLID WASTE AGENCY
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2012

5. Closure and Postclosure Care

To comply with federal and state regulations, the Agency is required to complete a monitoring system plan and a closure/postclosure plan and to provide funding necessary to effect closure and postclosure, including the proper monitoring and care of the landfill after closure. Environmental Protection Agency (EPA) requirements have established closure and thirty-year postclosure care requirements for all municipal solid waste landfills which receive waste after October 9, 1993. State governments are primarily responsible for implementation and enforcement of those requirements and have been given flexibility to tailor requirements to accommodate local conditions that exist. The effect of the EPA requirement is to commit landfill owners to perform certain closing functions and postclosure monitoring functions as a condition for the right to operate the landfill in the current period. The EPA requirements provide when a landfill stops accepting waste, it must be covered with a minimum of twenty-four inches of earth to keep liquid away from the buried waste. Once the landfill is closed, the owner is responsible for maintaining the final cover, monitoring ground water and methane gas, and collecting and treating leachate (the liquid that drains out of waste) for thirty years.

Governmental Accounting Standards Board Statement No. 18 requires landfill owners to estimate total landfill closure and postclosure care costs and recognize a portion of these costs each year based on the percentage of estimated total landfill capacity used that year.

Estimated total costs consist of four components: (1) the cost of equipment and facilities used in postclosure monitoring and care, (2) the cost of final cover (material and labor), (3) the cost of monitoring the landfill during the postclosure period, and (4) the cost of any environmental cleanup required after closure. Estimated total cost is based on the cost to purchase those services and equipment currently and is required to be updated annually due to the potential for changes due to inflation or deflation, technology, or applicable laws or regulations.

These costs for the Agency have been estimated to be \$407,156 for postclosure care as of June 30, 2012. The landfill has no remaining life and was completely closed during the fall of 2006.

Chapter 455B.306(9)(b) of the Code of Iowa requires permit holders of municipal solid waste landfills to maintain separate closure and postclosure accounts to accumulate resources for the payment of closure and postclosure care costs. The Agency has accumulated the resources necessary to fund these costs and, at June 30, 2012 assets of \$407,156 are restricted for postclosure care. They are reported as restricted cash basis net assets on the Statement of Cash Receipts, Disbursements, and Changes in Cash Basis Net Assets.

6. Solid Waste Hauling Contract

The Agency entered into a contract for the hauling of solid waste. Under the terms of this contract, the contractor will haul the Agency's solid waste from the Agency's transfer station to the contractor's landfill site. During the year ended June 30, 2012 the contractor was paid \$63,247 pursuant to this agreement.

7. Transfer Station Closure Care

To comply with state regulations, the Agency is required to complete a closure plan detailing how the transfer station will comply with proper disposal of all solid waste and litter at the site, cleaning the transfer station building, including the rinsing of all surfaces that have come into contact with solid waste or washwater, cleaning of all solid waste transport vehicles that will remain on site, including the rinsing of all surfaces that have come into contact with solid waste, and the removal and proper management of all washwater in the washwater management system.

WOODBURY COUNTY AREA SOLID WASTE AGENCY
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2012

7. Transfer Station Closure Care – (Continued)

To comply with state regulations, the Agency is required to maintain a closure account as financial assurance for the closure care costs. The effect of the state requirement is to commit landfill owners to perform certain closing functions as a condition for the right to operate the transfer station in the current period.

The total closure care costs for the Agency as of June 30, 2012 have been estimated at \$11,520. The balance has been restricted and is fully funded at June 30, 2012.

7. Operating Agreement

The Agency entered into an operating agreement with the contractor who had previously hauled the Agency's solid waste from the transfer station to the contractor's landfill site. Under the terms of this supplemental agreement, L.P. Gill, Inc. (Gill) will assume all solid waste and recycling activities for the Agency's member entities. Gill will bill and collect the per capita assessments from the members and retain all tipping fees received at the transfer station. The Agency will continue to be responsible for any closure or post closure cost of the transfer station and landfill. Gill will pay the Agency \$40,000 - \$60,000 per year for rent and use of the transfer station. For the year ended June 30, 2012 \$30,000 was paid under this agreement. This agreement shall run for a period of five years and begin on August 1, 2011

HUNZELMAN, PUTZIER & Co., PLC

CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of a Financial Statement Performed in Accordance with Government Auditing Standards

To the Members of Woodbury
County Area Solid Waste Agency

We have audited the accompanying financial statement of Woodbury County Area Solid Waste Agency as of and for the year ended June 30, 2012 and have issued our report thereon dated July 12, 2013. Our report expressed an unqualified opinion on the financial statement, which was prepared in conformity with another comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

The management of Woodbury County Area Solid Waste Agency is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Woodbury County Area Solid Waste Agency's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of Woodbury County Area Solid Waste Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Woodbury County Area Solid Waste Agency's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of Woodbury County Area Solid Waste Agency's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings as items (A) (B) (C), and (D) to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Woodbury County Area Solid Waste Agency's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain instances of non-compliance or other matters which are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Agency's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statement of the Agency. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The Agency's written responses to the findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the Agency's responses, we did not audit the Agency's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the members and customers of Woodbury County Solid Waste Agency and other parties to whom the Agency may report. This report is not intended to be and should not be used by anyone other than these specified parties.

Hunzelman, Putzier & Co., PLC

July 12, 2013

WOODBURY COUNTY AREA SOLID WASTE AGENCY
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2012

Findings Related to the Financial Statement:

INSTANCES OF NONCOMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

- A Segregation of Duties – One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that bank deposits, opening mail, recording receipts and disbursements, checks and payroll preparation, and bank reconciliations are all handled by one individual.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the Agency should review its operating procedures to obtain the maximum internal control possible under the circumstances.

Response – Woodbury County Solid Waste Agency relieved itself of the day to day operation of the landfill by contracting with L.P. Gill, Inc. on August 1, 2011. L.P. Gill Inc. now handles all of the operations of the Landfill and employs all personnel to run the landfill.

Conclusion – Response accepted.

- B. Financial Reporting - We noted that while management is capable of preparing accurate financial statements that provide information sufficient for the Board to make management decisions, reporting financial data reliably in accordance with an other comprehensive basis of accounting (OCBOA) requires management to possess sufficient knowledge and expertise to select and apply accounting principles and prepare year-end financial statements, including footnote disclosures. Management presently lacks the qualifications and training to appropriately fulfill these responsibilities, which is a common situation in small entities.

Recommendation - Obtaining additional knowledge through reading relevant accounting literature and attending local professional education courses should help management significantly improve in the ability to prepare and take responsibility for reliable OCBOA financial statements.

Response – Woodbury County Solid Waste Agency relieved itself of the day to day operation of the landfill by contracting with L.P. Gill, Inc. on August 1, 2011. L.P. Gill Inc. now handles all of the operations of the Landfill and employs all personnel to run the landfill.

Conclusion – Response accepted.

WOODBURY COUNTY AREA SOLID WASTE AGENCY
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2012

Findings Related to the Financial Statement: - (Continued)

INTERNAL CONTROL DEFICIENCIES: - (Continued)

- C. Documentation Supporting Disbursements- We noted payments made during the year which were not supported by proper documentation. As a result, we could not determine if these disbursements were a proper expenditure of Agency funds.

Recommendation – The Agency should require that all original documents supporting a disbursement be attached and approved before payment is made.

Response – Woodbury County Solid Waste Agency relieved itself of the day to day operation of the landfill by contracting with L.P. Gill, Inc. on August 1, 2011. L.P. Gill Inc. now handles all of the operations of the Landfill and employs all personnel to run the landfill.

Conclusion – Response acknowledged, however, the Agency still needs to ensure that disbursements are supported by proper documentation prior to payment being made.

- D. Payroll timesheets- Timesheets were not available to support hours worked and all hours taken as vacation, sick leave, compensatory time, and as holiday hours.

Recommendation –Timesheets should be prepared by all personnel. The timesheets should be signed by the employee and should be reviewed and initialed by appropriate personnel.

Response – Woodbury County Solid Waste Agency relieved itself of the day to day operation of the landfill by contracting with L.P. Gill, Inc. on August 1, 2011. L.P. Gill Inc. now handles all of the operations of the Landfill and employs all personnel to run the landfill.

Conclusion – Response accepted.

Other Findings Related to Required Statutory Reporting:

1. Questionable Disbursements - We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
2. Travel Expense - No disbursements of Agency money for travel expenses of spouses of Agency officials or employees were noted.
3. Board Minutes - No transactions were found that we believe should have been approved in the Board minutes but were not.

WOODBURY COUNTY AREA SOLID WASTE AGENCY
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2012

Other Findings Related to Required Statutory Reporting: - (Continued)

4. Deposits and Investments – No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the Agency's investment policy were noted.

5. Financial Assurance – The Agency has elected to demonstrate financial assurance for the transfer station closure and the landfill postclosure care by establishing a local government dedicated fund as provided in Chapter 567-106.18(3) and 567-113.14(6) of the Iowa Administrative Code. The details are as follows:

	<u>Transfer Station Closure</u>	<u>Landfill Postclosure</u>
Total estimated costs for closure and postclosure care	<u>\$ 11,520</u>	<u>\$ 407,156</u>
Amount Agency has restricted and reserved for closure and postclosure care at June 30, 2012	<u>\$ 11,520</u>	<u>\$ 407,156</u>

6. Form 1099 - The Internal Revenue Service requires that Form 1099 be prepared when disbursements for services to a non-corporate entity exceed \$600 in a calendar year. The Agency is currently not issuing 1099's.

Recommendation - The Agency should monitor yearly disbursements by vendor and issue a Form 1099 if required.

Response – Woodbury County Solid Waste Agency relieved itself of the day to day operation of the landfill by contracting with L.P. Gill, Inc. on August 1, 2011. L.P. Gill Inc. now handles all of the operations of the Landfill and employs all personnel to run the landfill.

Conclusion – Response acknowledged, however, the Agency still should monitor year disbursements by vendor and issue a Form 1099 if required.

7. Publication of Salaries - Chapter 28E.6 of the Code of Iowa requires that employee's salaries be published annually. The Agency is currently not publishing the salaries.

Recommendation - The Agency should, at a minimum, annually publish employee salaries.

Response – Woodbury County Solid Waste Agency relieved itself of the day to day operation of the landfill by contracting with L.P. Gill, Inc. on August 1, 2011. L.P. Gill Inc. now handles all of the operations of the Landfill and employs all personnel to run the landfill.

Conclusion – Response accepted.